



DEPARTMENT OF HOMELAND SECURITY

Office of Inspector General
Oakland Field Office – Audits Division
1111 Broadway, Suite 1200
Oakland, California 94607-4052

April 30, 2003

MEMORANDUM

TO: Jeff Griffin, Regional Director, FEMA Region IX

Robert J. Lastrico

FROM: Robert J. Lastrico, Field Office Director

SUBJECT: Arvin-Edison Water Storage District
Public Assistance Identification Number 029-91000
FEMA Disaster Number 1203-DR-CA
Audit Report Number DO-06-03

The Office of Inspector General (OIG) audited public assistance funds awarded to the Arvin-Edison Water Storage District (District). The objective of the audit was to determine whether the District expended and accounted for Federal Emergency Management Agency (FEMA) funds according to federal regulations and FEMA guidelines.

The District received a public assistance award of \$1.9 million from the California Office of Emergency Services (OES), a FEMA grantee, for debris removal, emergency protective measures, and permanent repairs to water control and utility facilities damaged as a result of flooding. The disaster incident period was from February 2, 1998, to April 30, 1998. The award provided for 75 percent FEMA funding for five large projects and four small projects.¹ The audit covered the period February 2, 1998, to August 10, 2000, and included a review of the five large projects with a total FEMA award of \$1,807,410 (see Exhibit).

The OIG performed the audit under the authority of the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards. The audit

¹ Federal regulations in effect at the time of the disaster defined a large project as one costing \$47,100 or more and a small project as one costing less than \$47,100.

included a review of FEMA's, OES', and the District's records, a judgmental sample of project expenditures, and other auditing procedures considered necessary under the circumstances.

RESULTS OF AUDIT

The District generally expended and accounted for public assistance funds according to federal regulations and FEMA guidelines. However, the District's claim included \$14,090 in project costs that were covered by FEMA's administrative allowance (FEMA share - \$10,567). These questionable costs related to projects 6047 (\$10,055) and 6007 (\$4,035).

According to Title 44, Code of Federal Regulations, Section 206.228(a)(2)(ii), subgrantees are reimbursed for costs associated with requesting, obtaining, and administering public assistance based on a statutory formula/allowance. Based on costs claimed by the District, FEMA paid an administrative allowance of \$48,462. However, the District also claimed \$14,090 of these costs as project costs. The costs claimed were for services provided by an engineering consulting firm to assess damage, collect cost data, and develop cost estimates. Since the regulations limit administrative costs to the statutory allowance, the \$14,090 claimed as direct project costs was ineligible for FEMA reimbursement.

RECOMMENDATION

The OIG recommends that the Regional Director, FEMA Region IX, in coordination with OES, disallow \$ 14,090 of questionable costs.

DISCUSSION WITH MANAGEMENT AND AUDIT FOLLOW-UP

The OIG discussed our results with OES and District officials on April 28, 2003. District officials agreed with the audit finding and OES deferred comment. We also provided the results of our audit to FEMA Region IX officials on April 29, 2003.

Pursuant to FEMA instruction 1270.1, please advise this office by June 30, 2003, of the actions taken to implement our recommendations. Should you have any questions concerning the report, please contact me at (510) 627-7011. Key contributors to this assignment were Arona Maiava and Ken Valrance.

Schedule of Large Projects Audited
Arvin-Edison Water Storage District
Public Assistance Identification Number 029-91000
FEMA Disaster Number 1203-DR-CA

<u>Project Number</u>	<u>Amount Awarded</u>	<u>Questioned Costs</u>
6046	\$178,861	
6007	315,102	4,035
6047	901,983	10,055
58358	241,266	
58359	170,198	
Total	\$1,807,410	\$14,090